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Thomas Anderson: (202) 606-9879

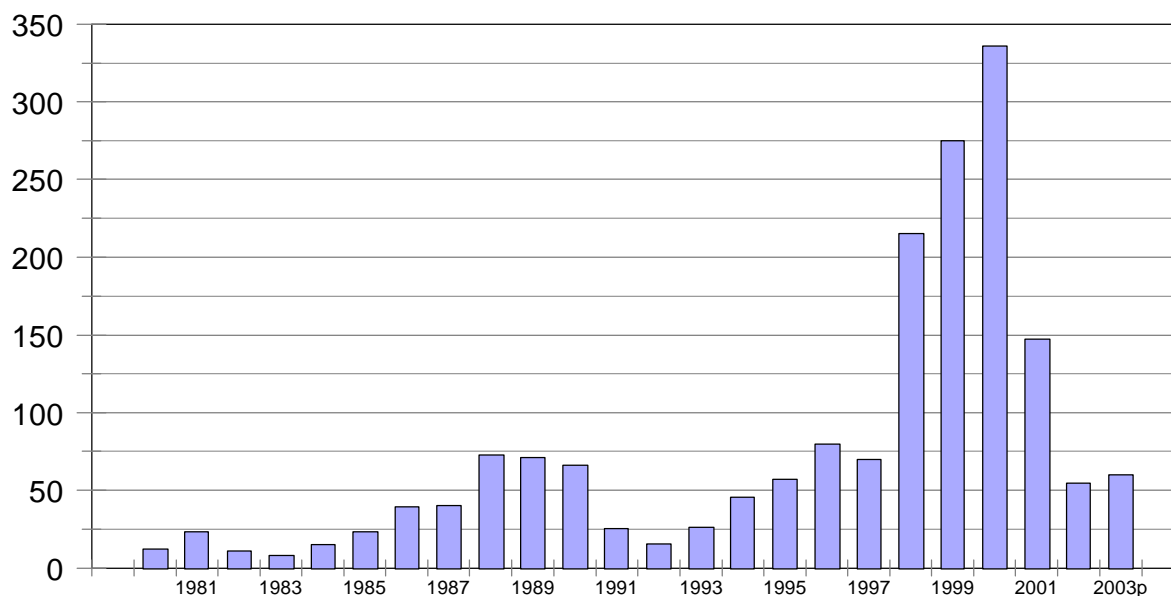
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Foreign Direct Investors' Outlays to Acquire or Establish U.S. Businesses Rose Modestly in 2003

In 2003, outlays by foreign direct investors to acquire or establish U.S. businesses rose modestly. Outlays were \$60.3 billion, up 11 percent from 2002, when outlays were \$54.5

Outlays for New Investment in the United States by Foreign Direct Investors, 1980-2003

Billion \$



p Preliminary

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billion. Outlays remained far below those in 1998-2001, when new investment outlays ranged from \$147.1 billion to \$335.6 billion. As in other recent years, large investments of more than \$5 billion accounted for a sizable share of total outlays.

The persistence of reduced levels of outlays partly reflects weak conditions in some industries, such as manufacturing and telecommunications, in which foreign direct investors were active in recent years. It also reflects a sharp slowdown in worldwide merger and acquisition activity in recent years.

Outlays in 2003 were boosted by a substantial increase in outlays in financial industries, as foreign banks sought to gain access to the large U.S. banking and consumer credit markets. Outlays in manufacturing and information, which accounted for a large share of the new investment in 1998-2001, declined substantially.

Outlays from the United Kingdom and Germany increased, while outlays from France and several other European countries fell substantially. Outlays from Japan declined for the third consecutive year. There was a large increase in outlays from Australia.

Outlays in 2003

As in previous years, outlays to acquire existing U.S. businesses--\$52.6 billion--accounted for most of the total outlays. Outlays to establish new businesses were \$7.7 billion.

By industry, outlays were largest in finance (except depository institutions) and insurance (\$21.6 billion). Outlays in depository institutions, at \$5.4 billion, were also relatively large, rebounding from outlays of \$0.6 billion in 2002. Outlays in information were \$10.0 billion, which consisted mostly of investments in broadcasting, and were down from \$14.2 billion in 2002. Outlays in manufacturing continued to decline, falling from \$16.4 billion in 2002 to \$9.5 billion in 2003. Within manufacturing, outlays were largest in food (\$2.7 billion) and in computers and electronic products (\$2.3 billion). Outlays in real estate fell to \$2.6 billion in 2003, down from \$5.3 billion in 2002.

By country of ultimate beneficial owner, outlays from the United Kingdom, which increased from \$12.2 billion in 2002 to \$22.5 billion in 2003, were the largest. Outlays from Germany (\$9.0 billion) were also higher than in 2002, but outlays from several other European countries, such as France (\$1.1 billion), the Netherlands (\$0.7 billion) and Switzerland (\$0.5 billion), were far lower than in 2002. Outlays from Japan declined for the third consecutive year, to \$1.5 billion. Outlays from Australia rose considerably, to \$11.3 billion. Outlays from Canada rose to \$6.9 billion in 2003 from \$4.3 billion in 2002.

The ultimate beneficial owner is that person, proceeding up a U.S. affiliate's ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person.

The estimates of outlays for 2003 are preliminary. The estimate of total outlays for 2002 has been revised up 4 percent from the preliminary estimate published last year.

Employment of newly acquired or established businesses

Newly acquired or established businesses employed 160,900 people in 2003, down from 218,500 in 2002. Finance (except depository institutions) and insurance, with 34,000 employees, accounted for the largest share of employment in 2003. Manufacturing also accounted for a large share of employment, with 33,100 employees.

* * *

Estimates in this report are based upon a Bureau of Economic Analysis survey that covers (1) existing U.S. business enterprises in which foreign investors acquired, either directly or through their U.S. affiliates, at least a 10 percent ownership interest and (2) new U.S. business enterprises established by foreign investors or their U.S. affiliates, also using the 10 percent ownership interest threshold.

Additional details on the new investments by foreign investors in 2003 will appear in the June issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis.

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Table 1. Investment Outlays by Type of Investment, 1992-2003

[Millions of dollars]

Year	Total	By type of investment	
		U.S. businesses acquired	U.S. businesses established
1992	15,333	10,616	4,718
1993	26,229	21,761	4,468
1994	45,626	38,753	6,873
1995	57,195	47,179	10,016
1996	79,929	68,733	11,196
1997	69,708	60,733	8,974
1998	215,256	182,357	32,899
1999	274,956	265,127	9,829
2000	335,629	322,703	12,926
2001	147,109	138,091	9,017
2002 ^r	54,519	43,442	11,077
2003 ^p	60,320	52,580	7,741

^p Preliminary.

^r Revised.

Source: U.S. Bureau of Economic Analysis

Table 2. Distribution of Investment Outlays by Size, 1992-2003

[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 ^r	2003 ^p
Total outlays	100	100	100	100	100	100	100	100	100	100	100	100
\$5 billion or more	0	0	0	(D)	0	0	55	55	48	30	(D)	(D)
\$2 billion - \$4.999 billion	0	(D)	27	18	29	12	11	16	20	22	18	(D)
\$100 million - \$1.999 billion	42	51	51	48	55	67	27	24	27	40	45	38
Less than \$100 million	58	(D)	22	(D)	16	21	7	5	5	9	(D)	8

D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

Source: U.S. Bureau of Economic Analysis

Table 3. Investment Outlays by Industry of U.S. Business Enterprise, 2000-2003

[Millions of dollars]

	2000	2001	2002 ^f	2003 ^p
All industries	335,629	147,109	54,519	60,320
Manufacturing	143,285	37,592	16,446	9,538
Food	(D)	(D)	(D)	2,699
Beverages and tobacco products	3,722	582	(D)	(D)
Petroleum and coal products	(D)	(D)	(D)	235
Chemicals	15,016	4,636	1,232	1,213
Plastics and rubber products	3,154	622	891	519
Nonmetallic mineral products	6,324	425	1,228	364
Primary metals	379	692	514	(D)
Fabricated metal products	638	758	94	(D)
Machinery	1,213	(D)	586	83
Computers and electronic products	42,600	10,052	590	2,328
Electrical equipment, appliances, and components	8,084	(D)	948	155
Transportation equipment	3,230	470	750	146
Other	6,529	5,214	2,170	1,559
Wholesale trade	8,561	3,982	871	623
Retail trade	1,672	1,913	551	964
Information	67,932	27,599	14,181	10,015
Publishing industries	10,135	9,545	(D)	1,488
Motion pictures and sound recording industries	(D)	1,179	(D)	121
Broadcasting and telecommunications	(D)	15,529	2,196	7,593
Information services and data processing services	12,228	1,345	(D)	813
Depository institutions	2,636	5,709	613	5,416
Finance (except depository institutions) and insurance	44,420	40,780	4,344	21,622
Real estate and rental and leasing	4,526	3,572	5,266	2,607
Professional, scientific, and technical services	32,332	7,044	4,012	1,397
Other industries	30,264	18,917	8,234	8,139

D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^f Revised.

Source: U.S. Bureau of Economic Analysis

Table 4. Investment Outlays by Country of Ultimate Beneficial Owner, 2000-2003

[Millions of dollars]

	2000	2001	2002 ^r	2003 ^p
All countries	335,629	147,109	54,519	60,320
Canada	28,346	16,646	4,333	6,858
Europe	249,167	78,328	39,644	39,076
France	26,149	5,772	15,196	1,135
Germany	18,452	12,733	3,067	9,034
Netherlands	47,686	14,879	3,476	712
Switzerland	22,789	16,468	2,656	534
United Kingdom	110,208	17,095	12,188	22,492
Other Europe	23,883	11,381	3,061	5,169
Latin America and Other Western Hemisphere	15,400	15,274	3,487	644
South and Central America	5,334	431	373	172
Other Western Hemisphere	10,066	14,843	3,114	472
Africa	(D)	(D)	(D)	(D)
Middle East	947	(D)	(D)	198
Asia and Pacific	40,282	11,383	5,131	13,518
Australia	(D)	4,869	1,565	11,313
Japan	26,044	5,345	3,275	1,487
Other Asia and Pacific	(D)	1,169	291	718
United States ¹	(D)	(D)	804	(D)

D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

NOTE: For investments in which more than one investor participated, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

1. The United States is shown as the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are, in turn, ultimately owned by persons located in the United States.

Source: U.S. Bureau of Economic Analysis

**Table 5. Selected Operating Data of U.S. Business Enterprises Acquired or Established,
by Industry of U.S. Business Enterprise, 2002-2003**

	2002 ^r					2003 ^p				
	Millions of dollars			Thousands of employees	Hectares of land ¹	Millions of dollars			Thousands of employees	Hectares of land ¹
	Total assets	Sales	Net income			Total assets	Sales	Net income		
All industries	105,516	55,680	1,675	218.5	106,567	232,643	54,114	1,709	160.9	45,016
Manufacturing	24,237	21,809	213	73.4	10,886	11,402	8,801	58	33.1	1,145
Wholesale trade	1,240	2,284	(D)	3.7	58	721	2,863	9	3.4	(D)
Retail trade	646	1,276	(D)	10.7	119	1,558	6,516	(D)	27.5	(D)
Information	15,656	6,746	319	25.5	1,127	22,954	12,015	-773	14.6	518
Depository institutions	4,503	265	33	0.9	(D)	48,641	3,130	(D)	12.3	223
Finance (except depository institutions) and insurance	12,369	1,606	85	5.2	(D)	122,426	12,102	(D)	34.0	38
Real estate and rental and leasing	12,366	2,723	262	2.3	6,649	3,309	461	34	1.1	4,327
Professional, scientific, and technical services	1,274	847	-59	4.5	(D)	1,525	876	-162	3.9	30
Other industries	33,225	18,126	737	92.3	87,640	20,106	7,348	268	31.0	38,211

D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

1. One hectare equals 2.471 acres. Thus, for all industries, acres of land owned in 2002 were 263,327, and in 2003 were 111,235.

NOTE. For newly acquired businesses, the data cover the most recent financial reporting year preceding acquisition. For newly established businesses, the data are projections for the first full year of operations.

Source: U.S. Bureau of Economic Analysis